

Message Text

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ORIGIN TRSE-00

INFO OCT-01 EA-06 ISO-00 EB-07 ARA-06 SS-15 NSC-05 L-02

AID-05 CEA-01 CIAE-00 COME-00 EUR-12 FRB-01 INR-07

IO-10 NEA-09 NSAE-00 RSC-01 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 /100 R

DRAFTED BY OASIA/OIDB:CJLOHMAN:WW

APPROVED BY EB/IFD/ODF:RSGELBARD

TREAS:JBUSHNELL

ARA/LA/MRSD:PLANSDALE (SUBS)

EA/J:DBROWN (SUBS)

----- 086196

R 080142Z JAN 75

FM SECSTATE WASHDC

TO AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EFIN, IDB

SUBJECT: IDB NON-REGIONAL MEMBERSHIP

REF: A) STATE 256680; B) STATE 267648; C) STATE 268047;

D) STATE 268745

1. SUMMARY. AT SIGNING DECLARATION OF MADRID DECEMBER 17
TREASURY DEPUTY ASSISTANT SECRETARY BUSHNELL DISCUSSED WITH
JAPANESE DELEGATION U.S. PROPOSALS TO FACILITATE FUTURE
REGIONAL COUNTRY SUBSCRIPTIONS (ESPECIALLY FOR U.S. AND
CANADA) TO NEW INTER-REGIONAL CAPITAL STOCK TO BE CREATED
WHEN NON-REGIONAL COUNTRIES (NRC) ENTER IDB. JAPANESE
DELEGATE FROM FINANCE MINISTRY SAID HE THOUGHT FINANCE
WOULD FIND NEW VARIATION OF U.S. PROPOSAL ACCEPTABLE BUT
REPORTED PROBLEM WITH FOREIGN MINISTRY. REQUEST EMBASSY
CONTACT APPROPRIATE FOREIGN MINISTRY OFFICIALS AND DRAW ON
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FOLLOWING TO URGE ACCEPTANCE OF U.S. PROPOSAL. END SUMMARY.

2. USG SEES ADVANTAGES TO U.S. SUBSCRIPTION TO INTER-REGIONAL CAPITAL BECAUSE OF RESTRICTIONS THAT CURRENTLY APPLY TO IDB BORROWING AGAINST ORDINARY CAPITAL. FIRST, IT WOULD FACILITATE OUR URGING CANADIAN SUBSCRIPTION TO INTER-REGIONAL CAPITAL SO AS TO REMEDY CURRENT IDB INABILITY TO BORROW AGAINST CANADIAN DOLLAR SUBSCRIPTIONS TO ORDINARY CAPITAL BECAUSE OF EXISTING BOND COVENANT. SECOND, U.S. CALLABLE SUBSCRIPTIONS TO INTER-REGIONAL CAPITAL WOULD NOT

REQUIRE APPROPRIATIONS, WHICH WOULD SIMPLIFY LEGISLATIVE APPROVAL OF U.S. CONTRIBUTIONS TO IDB. THEREFORE, U.S. FINDS INAPPROPRIATE PROPOSED NRC SPECIAL QUORUM REQUIREMENT ON INCREASES IN INTER-REGIONAL CAPITAL TO WHICH WE WOULD SUBSCRIBE. ALSO SPECIAL NRC QUORUM INCONSISTENT WITH OUR VIEW OF INTER-REGIONAL CAPITAL AS LOGICAL MAJOR CAPITAL STOCK FOR LONG-TERM FUTURE IDB OPERATIONS. MOREOVER, IMPLICIT VETO BY NRC REPRESENTING LESS THAN 8 PERCENT OF IDB VOTING POWER COULD JEOPARDIZE CONGRESSIONAL APPROVAL OF U.S. SUBSCRIPTION TO INTER-REGIONAL CAPITAL.

3. U.S.-PROPOSED AMENDMENTS TO SECTION 7 OF GENERAL RULES FOR NRC ENTRY ARE DESIGNED TO FACILITATE REGIONAL MEMBER SUBSCRIPTIONS TO INTER-REGIONAL CAPITAL WITHOUT IN ANY WAY PREJUDICING NRC RIGHTS TO PROTECT THEIR SHARE OF TOTAL BANK CAPITAL. FIRST CHANGE WOULD PROVIDE FOR AUTOMATIC WAIVER OF PREEMPTIVE RIGHTS TO SUBSCRIBE TO CAPITAL WHEN EXERCISE OF RIGHTS WOULD CARRY NRC SHARE BEYOND 8 PERCENT IDB VOTING POWER. NRC POSITION UP TO 8 PERCENT IS PROTECTED BY ABILITY TO EXERCISE PREEMPTIVE RIGHTS. WE UNDERSTAND JAPANESE ARE RELATIVELY RELAXED ON THIS PROPOSAL.

4. SECOND CHANGE AS PRESENTED TO IDB WOULD DELETE NRC SPECIAL QUORUM ON INCREASES IN INTER-REGIONAL CAPITAL FOR REASONS CITED PARA. 2. IN RESPONSE TO JAPANESE OPPOSITION, EXPRESSED BY GOJ EMB WASHINGTON, WE HAVE PROPOSED ALTERNATIVE THAT WOULD LEAVE SPECIAL QUORUM INTACT BUT FACILITATE REGIONAL MEMBER SUBSCRIPTIONS. ESSENTIALLY NEW PROPOSAL WOULD AMEND CHARTER ARTICLE II TO PERMIT LIMITED OFFICIAL USE

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MEMBERS WITH RIGHT TO SUBSCRIBE TO OC TO WAIVE THAT RIGHT AND SUBSCRIBE INSTEAD TO EQUIVALENT NUMBER OF SHARES OF INTER-REGIONAL CAPITAL. PROPOSAL WOULD SIMULTANEOUSLY GIVE NRC EQUIVALENT RIGHTS TO WAIVE SUBSCRIPTIONS TO INTER-REGIONAL CAPITAL AND SUBSCRIBE INSTEAD TO OC. JAPANESE MINFIN REPRESENTATIVE IN MADRID FOUND PROPOSAL ACCEPTABLE BUT REPORTED THAT FOREIGN MINISTRY OPPOSED.

5. SINCE MADRID MEETING U.S. HAS REACHED TENTATIVE DECISION TO MAKE HALF OF U.S. SUBSCRIPTIONS IN NEXT REPLENISHMENT TO ORDINARY CAPITAL AND HALF TO INTER-REGIONAL CAPITAL IF PENDING PROBLEMS WITH RULES FOR NRCS CAN BE WORKED OUT. YOU MAY INFORM GOJ OF THIS BUT STRESS CONFIDENTIAL NATURE OF PROPOSAL SINCE WE HAVE NOT YET CONSULTED WITH CONGRESS OR REGIONAL MEMBERS.

6. REQUEST EMB CONTACT APPROPRIATE FOREIGN MINISTRY OFFICIALS, EMPHASIZING COMPLETELY NON-DISCRIMINATORY FEATURE, AND URGE ACCEPTANCE U.S. PROPOSAL AND REPORT GOJ POSITION. WE WOULD LIKE TO WORK OUT COMPROMISE ON THIS ISSUE WITH THE JAPANESE BEFORE WE RAISE IT BILATERALLY WITH OTHER NRCS OR DISCUSS IT FURTHER IN IDB BOARD IN MIDDLE OF THIS MONTH. KISSINGER

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Message Attributes

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Margaret P. Grafeld
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